

Economics II

General equilibrium and microeconomic policy of the state

Part III.

Introduction

- ❖ Micro-economic policy
- ❖ The rules of market actors conduct
- ❖ Public good provision and asymmetric information regulation
- ❖ Fiscal policy
- ❖ Conflict between an effective resource allocation and value system
- ❖ State failure
- ❖ Conclusion

Micro-economic policy

Economic policy

Economic policy is intended to:

- *The macro-economic dimension,*
- ***The micro-economic dimension,***
- ***"The security and defense" dimension.***

Micro-economic policy

The main causes of the state regulation:

- Inefficient allocation of production factors along with the final production due to the: ***imperfect competition, externalities, public goods and imperfect information***
- ***Social unacceptable of income distribution***
- ***The conflict between efficiency and society value system***

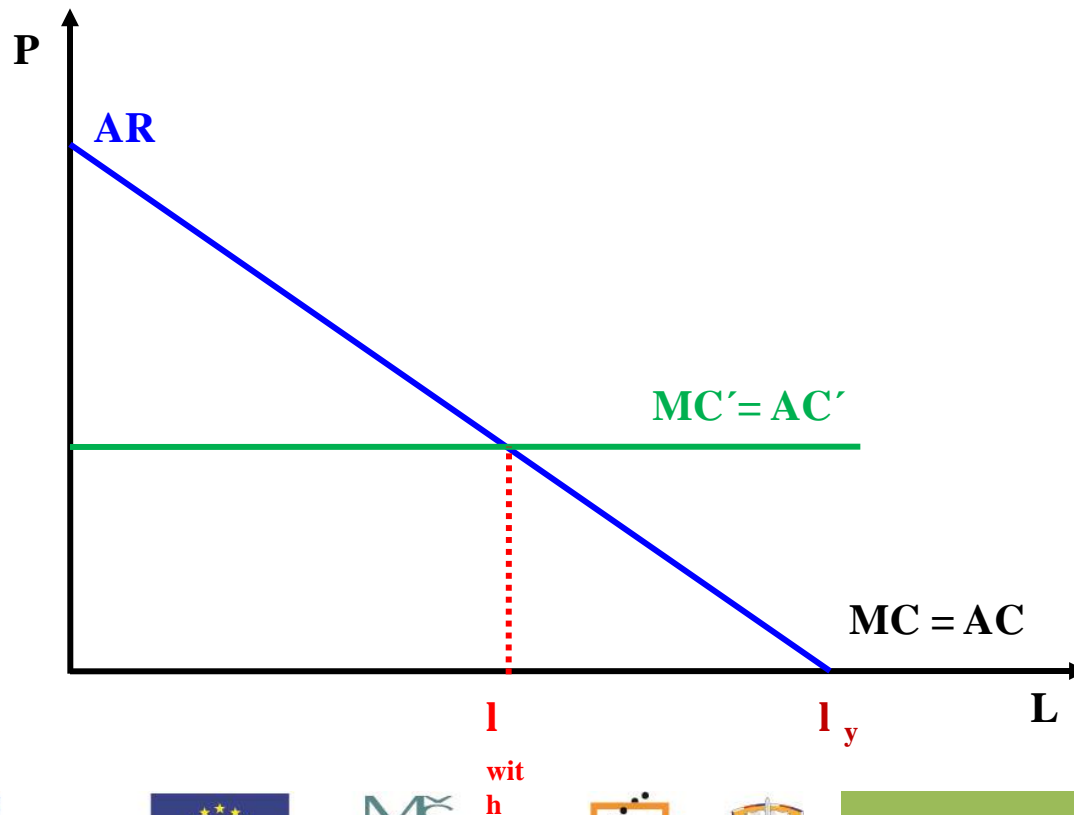
Micro-economic policy

Micro-economic policy tools:

- ***Rules of conduct market actors determination***
- ***Property rights in society definition***
- ***Anti-trust legislation or state regulation of prices , quality of goods, etc.***
- ***State fiscal policy*** : state *budget* revenues and expenditures (in conjunction with taxes)
- ***State as a market subject***: in the markets final production as well as in the markets of production

The rules of market actors conduct

The utilisation rate of free resources



The rules of market actors conduct

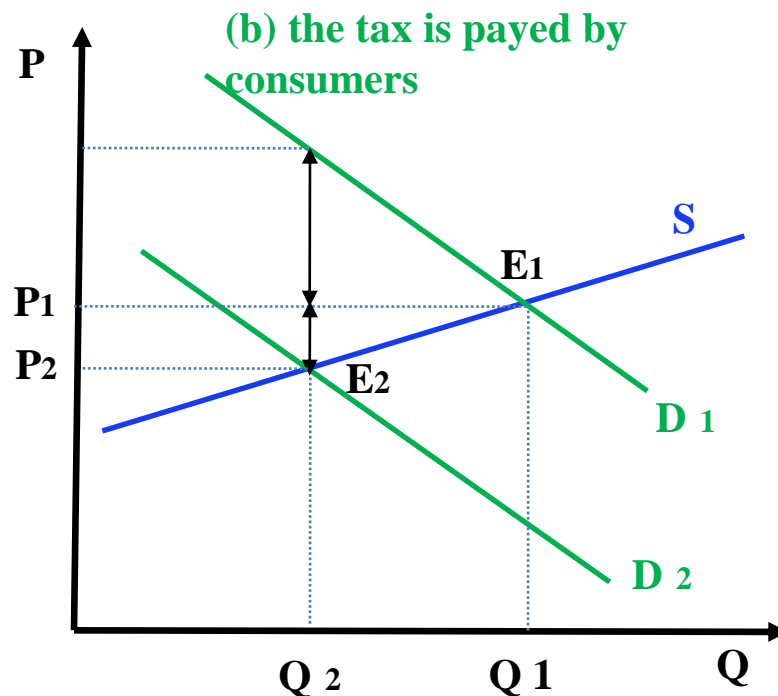
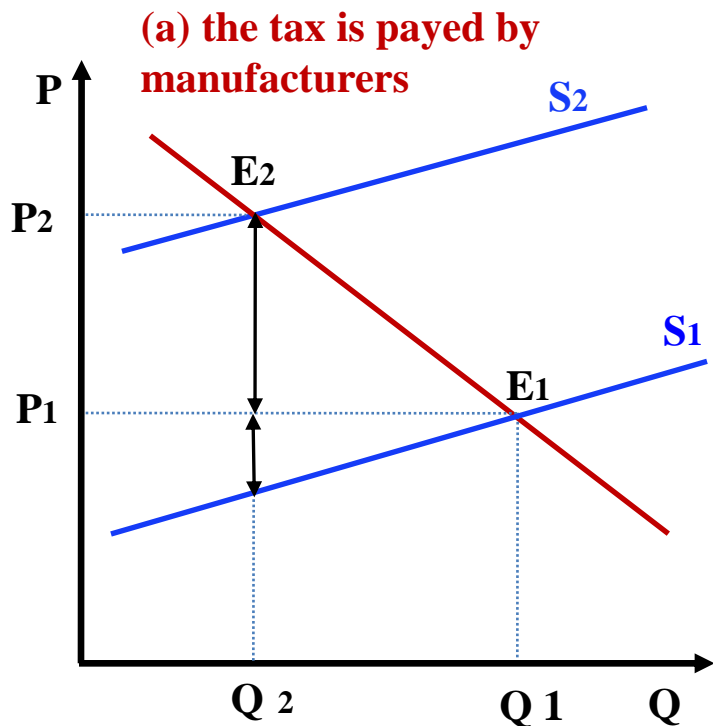
- Defining property rights
- State regulation
- Anti-trust legislation

Fiscal policy

The turnover tax and market balance

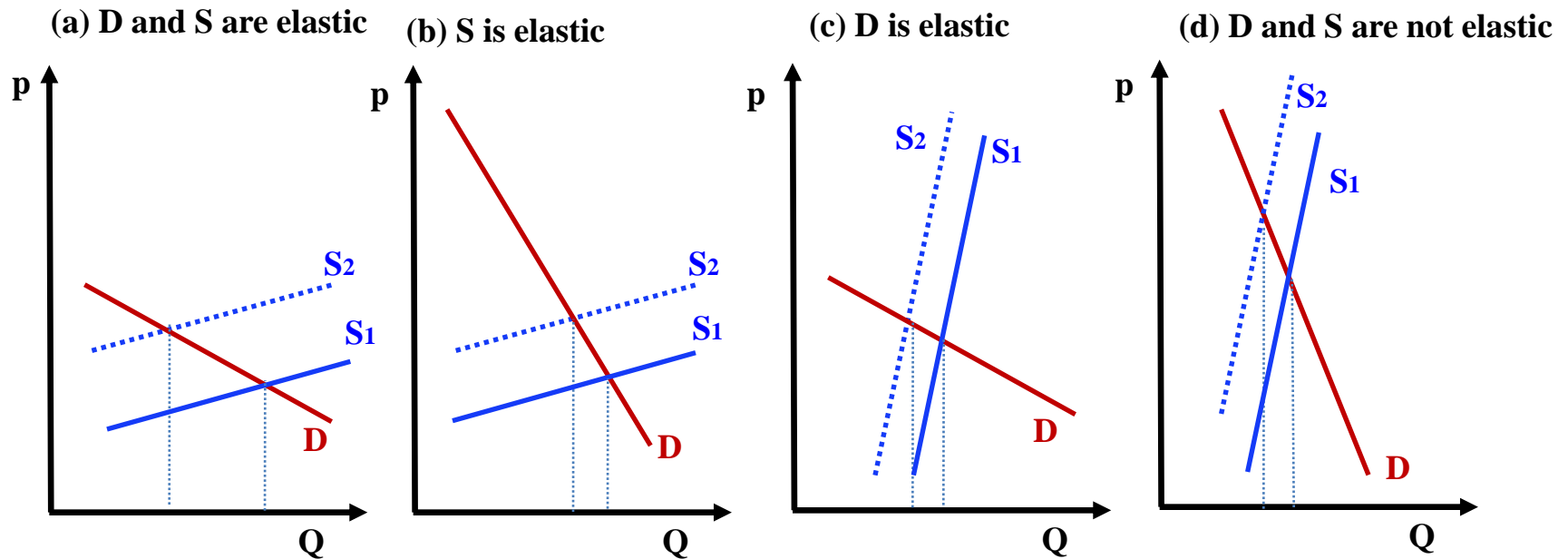
Sales tax usually *reduces equilibrium quantity (Q_e)* and *increases price (P)*.

Exception: if there is a supply or demand *completely inelastic* (demand and/or supply curve is Vertical), then there is changed *only price not the quantity*.



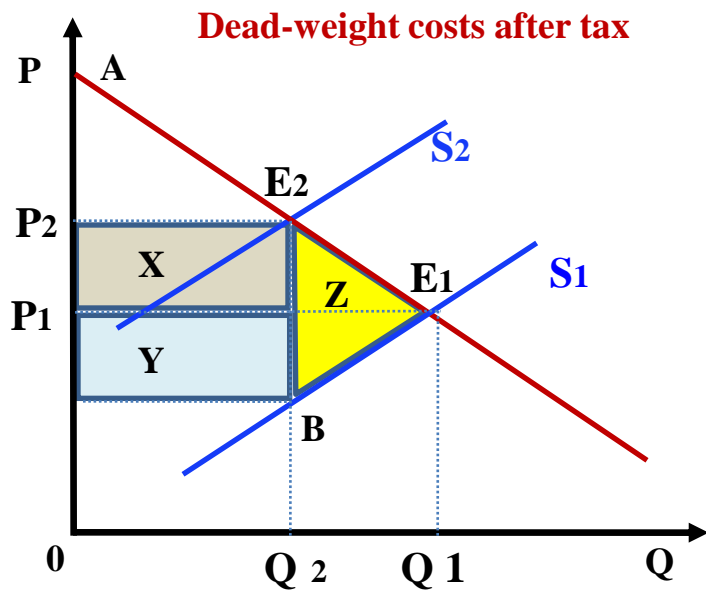
Fiscal policy

An unequal impact of sales tax



Fiscal policy

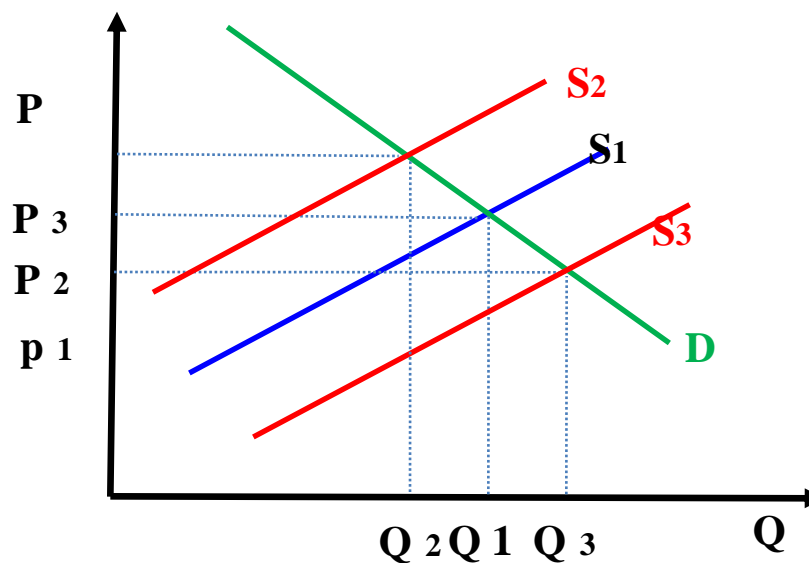
The turnover tax and market allocation effectiveness



Fiscal policy

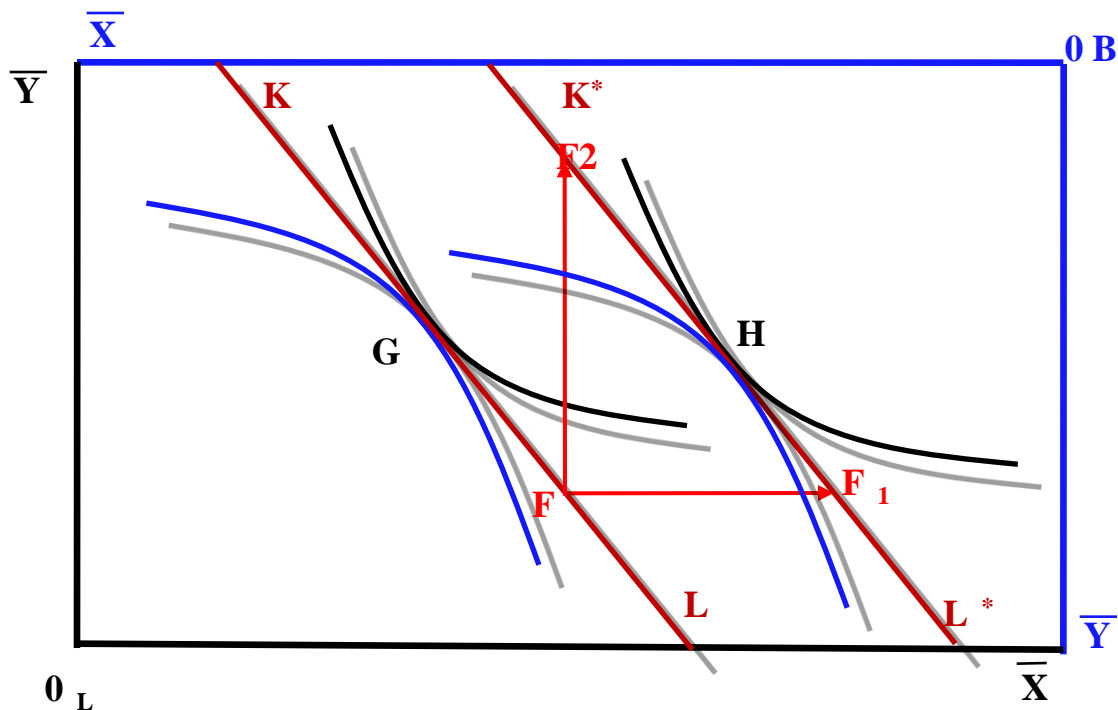
The government subsidies

Impact of fees and subsidies



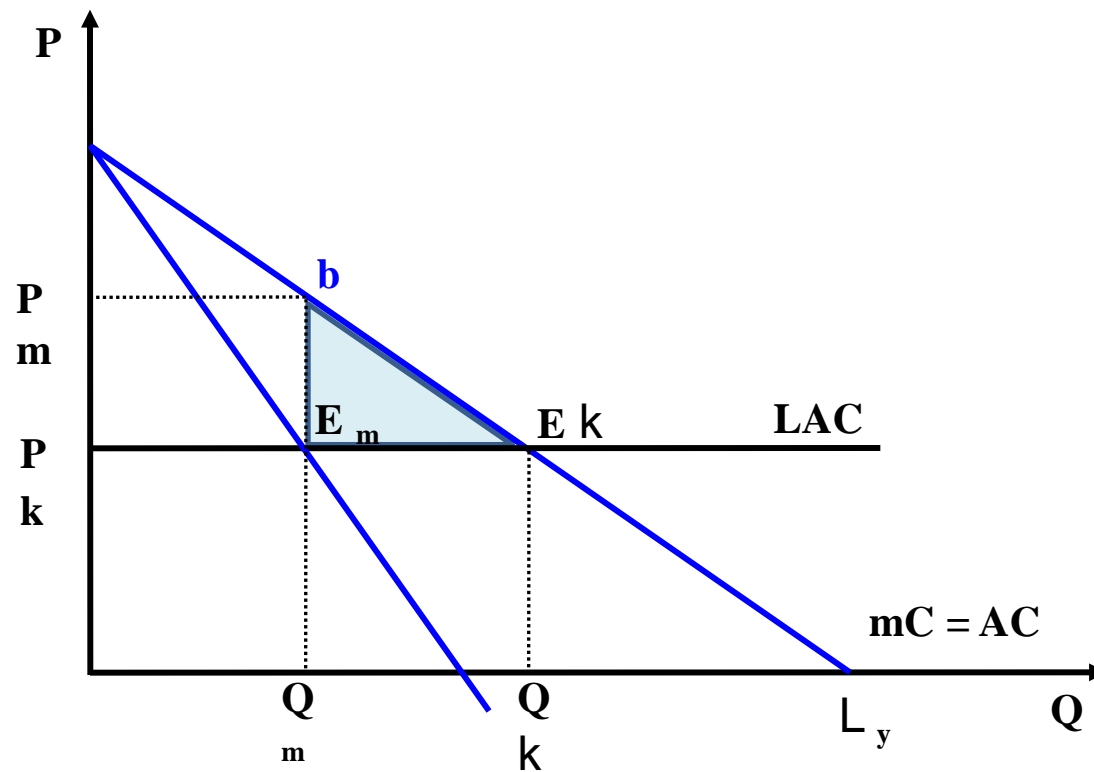
Conflict between an effective allocation and value system

Redistribution of income and property



State failure

Rent-seeking



Thank you for your attention



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ